

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT  
PRICE ADJUSTMENT

Docket No. R2013-10

NOTICE OF REVISIONS TO  
UNITED STATES POSTAL SERVICE  
NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT --ERRATA  
(October 18, 2013)

On September 26, 2013, the Postal Service filed its notice of market dominant price adjustments in this docket. Minor revisions in that Notice, emanating from several sources, are discussed below.

Inbound Surface Parcel Post

On pages 31-23 of the Market Dominant Price Adjustment Notice, the Postal Service indicated that the proposed prices for Inbound Surface Parcels were being estimated for purposes of the filing, but would be updated when actual prices for Inbound Surface Parcels were subsequently released by the UPU. The Notice anticipated that the actual Inbound Surface Parcel prices might differ from the estimates, and thus revised cap calculations and resulting banked authority calculations might be necessary. The UPU has released those prices, and revisions in the filing are necessary. Consequently, the Postal Service hereby provides notice of revisions to the original United States Postal Service Notice of Market-Dominant Price Adjustment filing, originally submitted on September 26, 2013. Related revisions are also necessary for materials in USPS-R2013-10/4. A separate notice regarding revisions to those

materials is being filed today. Additionally, related revisions in the Exigent Filing are also necessary, and separate notices to that effect are being filed today in that docket.

The changes in the text of the September 26 Notice are as follows:

Page 5, Table 3

Package Services row, change "1.565" to "1.453"

Page 6, Table 4, Package Services section

R2013-10 row, change "0.131" to "0.243"

Total row, change "-0.424" to "-0.312"

Page 30, Table 10

Inbound Surface Parcel Post row, change "2.152" to "-1.597"

Overall row, change "1.565" to "1.453"

Pages 31-32

Replace entire text of Inbound Surface Parcels discussion.

#### Inbound First-Class Mail International

As with inbound Surface Parcel Post, placeholders were used in the workpapers for Internal Air Conveyance charges for inbound International First-Class Mail. And once again the UPU has now released actual IAC charges for FY14 that supersede the placeholders. Separate notices address the effect of these changes in the Exigent case, and in the First-Class public and nonpublic workpapers in this case. The substitution in the workpapers of the actual IAC charges in place of the estimates causes the following revisions in the Notice:

Page 5, Table 3

First-Class Mail row, change "1.587" to "1.618"

Page 6, Table 4, First-Class Mail section

R2010-13 row, change "0.109" to "0.078"

Total row, change "-0.435" to "-0.466"

Page 17, Table 5

FCM International row, change “5.994” to “7.735”

Total First-Class Mail row, change “1.587” to “1.618”

Page 21, Presort Letters/Postcards section, 4<sup>th</sup> line

Change “slightly above” to “slightly below”

Page 22, third line from bottom

Change “1.587” to “1.618”

### Periodicals Workpapers

In preparing the September 26<sup>th</sup> filings, some of the new Periodicals prices were inadvertently entered into the Periodicals pricing spreadsheets with four significant digits in both the CPI and Exigent cases. The actual prices, however, only extend to three significant digits (tenths of cents). While the actual three-digit prices do represent the correctly rounded values of the four-digit prices used in the spreadsheets, using the unrounded four-digit prices in the spreadsheets changed some of the relevant calculations (percentage increases, remaining cap in bank, etc.). Therefore, the Periodicals spreadsheets in both the CPI case and the Exigent case have been recalculated using the actual (three-digit) prices. In this case, the effects of these revisions create the need for revisions in the Notice document, and in the Periodicals folder (USPS-R2013 -10/3). A separate notice about changes to the Periodicals folder is being filed today. In the Notice document, the changes are as follows:

Page 5, Table 3

Periodicals row, change “1.569” to “1.664”

Page 6, Table 4, Periodicals section

R2013-10 row, change “0.127” to “0.032”

Total row, change “-0.429” to “-0.524”

Page 28, Table 9

Outside County row, change “1.563” to “1.662”

Overall row, change “1.569” to “1.664”

Mail Drives Mobile Commerce Promotion (Attachment D)

In Attachment D to the Market Dominant Price Adjustment Notice, conflicting versions of information regarding the Priority Mail Fulfillment Period and the Rebate Claim Period for the Mail Drives Mobile Commerce Promotion were inadvertently included on page 9 of 11. In each instance, the version presented second contains the correct information, while the version presented first is incorrect and should be deleted. A revised version of page 9 of Attachment D containing only the correct information is attached to this pleading.

Copies of the revised pages (5-6, 17, 21-22, 28, 30-32) of the Notice and revised page 9 of Attachment D to the Notice are attached to this pleading.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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USPS-LR-R2013-10/3	Periodicals Workpapers
USPS-LR-R2013-10/4	Package Services Workpapers
USPS-LR-R2013-10/5	Special Services Workpapers
USPS-LR-R2013-10/NP1	First-Class Mail International Workpapers

Each set of workpapers has a Preface that explains the contents in detail. The Preface in each of the first five workpapers provides an overview, a discussion of any necessary adjustments to the billing determinants for the four quarters ending Q3 FY 2013, and an explanation of the revenue calculations.

#### **E. Percentage Change by Mail Class**

As demonstrated in USPS-LR-R2013-1/1 through 5, the prices for each class comply with the annual limitation of price adjustment authority available to the Postal Service. The percentage change by class is as follows:

Table 3  
2013 Price Change Percentage by Mail Class

Class	Percent Change
First-Class Mail	1.618
Standard Mail	1.609
Periodicals	1.569
Package Services	1.453
Special Services	2.500

#### **F. Unused Pricing Authority Resulting From this Change**

For Periodicals and Package Services, this change adds to the unused pricing authority resulting from prior market-dominant price changes under the price cap. The

Postal Service calculates the unused price adjustment authority that it will have following this price change as follows:<sup>4</sup>

Table 4  
Unused Pricing Authority Available Following this Price Change

Class	Percentage Points
First-Class Mail	
R2013-1[1]	-0.544
R2013-10[2]	0.078
Total	-0.466
Standard Mail	
R2013-1 [1]	-0.441
R2013-10[2]	0.087
Total	-0.354
Periodicals	
R2013-1 [1]	-0.556
R2013-10 [2]	0.032
Total	-0.524
Package Services	
R2013-1 [1]	-0.555
R2013-10 [2]	0.243
Total	-0.312
Special Services	
R2013-7	3.678
R2013-10[2]	-1.864
Total	1.814

[1] Table 1.

[2] Cap Calculation worksheets (USPS-LR-R2013-10/1 through 5).

## II. Promotions and Incentives

As was the case in Docket No. R2013-1, in this filing the Postal Service seeks approval for a total of eight promotions, and one incentive, to be held during Calendar Year 2014. By seeking approval for these promotions and incentives in this price

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<sup>4</sup> To the extent that the calculated percentage change for any class is revised during the course of this proceeding (or upon the resolution of Docket No. R2010-4R) from what has been calculated by the Postal Service in this Notice, the Postal Service notes that the unused price adjustment authority should be adjusted, regardless of the figures set forth in this Table.

## 2) First-Class Mail

### Overview:

First-Class Mail has six products: Single-Piece Letters/Postcards, Presorted Letters/Postcards, Flats, Parcels, Outbound Single-Piece First-Class Mail International, and Inbound Single-Piece First-Class Mail International. The prices for these products change as follows:

Table 5  
First-Class Mail Product Price Change

Product	Percent Change
Single-Piece Letters/Postcards	1.141
Presort Letters/Postcards	1.615
Flats	1.267
Parcels	6.335
FCM International	7.735
Total First-Class Mail	1.618

The Postal Service is increasing the price of a stamp for a one-ounce single-piece stamped letter by one cent to 47 cents and keeping the price of metered letters at 46 cents. The overall 1.141 percent price increase for Single-Piece Letters/Postcards reflects continuation of current prices for metered letters and single-piece cards, which is largely responsible for the average increase for single-piece mail being lower than the increase for presorted mail.



piece price, including charges for additional ounces for heavier pieces. In this docket, the Postal Service is proposing a new single-piece price structure for these residual letters. Residuals from uniform 1-ounce presort letter mailings will pay the 1-ounce Metered letter rate of 46 cents. Residuals from uniform 2-ounce presort letter mailings will pay the 2-ounce Metered letter rate of 66 cents; and residuals from mixed mailings of 1-ounce and 2-ounce letters will pay the Residual rate of 48 cents.

*Presort Letters/Postcards:*

The prices in Presort Letters/Postcards reflect the costs that the Postal Service avoids when customers presort and otherwise prepare their mail for automation processing (Factor 5). The overall increase for the Presort Letters/Postcards product is slightly below the overall average increase for First-Class Mail. The unit price for the least presorted automation category increases by 1 cent while the other categories increase by 0.5 to 0.6 cents. The price increases for Mixed AADC, AADC, 3-Digit, and 5-Digit Automation Presort Letters are 2.5 percent, 1.3 percent, 1.3 percent and 1.7 percent, respectively. The Postal Service continues to price AADC and 3-Digit Letters and Cards at the same level. Also, the free second-ounce continues for all Presort First-Class Mail letters (Non-automation and Automation).

Table 6  
First-Class Mail First-Ounce Prices

	Current	New	Change	Percent Change
Stamped Single-Piece	\$0.46	\$0.47	\$0.01	2.2
Metered Single-Piece	\$0.46	\$0.46	\$0.00	0.0
MAADC Automation	\$0.405	\$0.415	\$0.010	2.5
AADC Automation	\$0.384	\$0.389	\$0.005	1.3
3-Digit Automation	\$0.384	\$0.389	\$0.005	1.3
5-Digit Automation	\$0.360	\$0.366	\$0.006	1.7

Flats:

The overall increase for Flats is 1.267 percent. The first-ounce price for single-piece flats changes from 92 cents to 94 cents, a 2.2 percent increase.

Prices for Non-automation Presort flats increase by 1.3 percent. The price increases for the Mixed ADC, ADC, 3-Digit, and 5-Digit automation flats categories, are 1.4 percent, 3.0 percent, 1.3 percent and 3.2 percent, respectively. The ADC and 5-Digit Automation Flats are getting a slightly above average increase. Even though the cost avoidances in both of these cases have increased, the discounts were higher. In the instant filing the discounts are being reduced to bring the passthrough closer to 100 percent

Parcels:

The First-Class Mail parcels receive a 6.335 percent increase, which is higher than the overall increase for First-Class Mail. As reported at page 81 in the Commission's FY2012 Annual Compliance Determination (March 28, 2013), the First-Class Mail Retail parcels cost coverage is 98.5 percent. The higher-than-average increase for First-Class Mail parcels is expected to improve this cost coverage, which is fairly low by First-Class Mail standards.

First-Class Mail International:

For Outbound Single-piece First-Class Mail International (FCMI), the Postal Service is increasing prices by 2.192 percent overall, which is significantly greater than the First-Class Mail average of 1.618 percent. A price adjustment of this magnitude is necessary to increase contribution and improve cost coverage for FCMI Flats (Factor 2, Factor 12).

#### 4) Periodicals

##### Overview:

The Periodicals class includes magazines and newspapers, and consists of two products: Within County Periodicals, and Outside County Periodicals. The prices for these products change as follows:

Table 9  
Periodicals Price Changes

Product	Percent Change
Outside County	1.662
Within County	1.705
Overall	1.664

The Periodicals class has been challenged in terms of cost coverage. It did not cover its attributable costs in FY2012 (Factor 2, Objective 8). Despite its continued failure to cover its costs, the Postal Service is cognizant of Periodicals' value to the public (Factor 8, Factor 11). Accordingly, this price change refines price relationships to encourage efficiency and containerization, while limiting the price increases for individual publications.

##### FSS Pricing:

Additionally, similar to Standard Mail, and as discussed above in section III(a)(1), FSS preparation will also be required for Periodicals mail in DFSS zones. The DFSS pound prices will be the same as the DSCF pound prices. FSS pricing at the bundle level, sack level, and pallet level will also be introduced at all entry points. To encourage FSS preparation and destination entry, there will be a price of zero for FSS pallets brought to a DFSS. These changes are based in part on the Commission's suggestion in the FY2012 Annual Compliance Determination Report, that the Postal

Table 10  
Package Services Price Changes

Product	Percent Change
Alaska Bypass Service	2.440
BPM Flats	0.314
BPM Parcels	1.680
Media Mail and Library Mail	2.061
Inbound Surface Parcel Post	-1.597
Overall	1.453

*Bound Printed Matter Flats:*

There are two Bound Printed Matter (BPM) products: Flats (primarily heavy catalogs), and Parcels (primarily product order fulfillment). The Bound Printed Matter Flats product already covers its costs, and is used by catalog companies, which face continuing economic pressures. Therefore, the price increase for BPM Flats is smaller than the other products. This frees up cap space for larger increases for Media/Library Mail and BPM Parcels.

Also, as noted above in Part III (a) (1), FSS price categories will be introduced for BPM Flats. FSS price categories will be introduced for presort at originating entry, DNDC entry, DSCF entry, and DFSS entry, as well as carrier route presort at originating entry, DSCF entry, and DFSS entry. There will be no FSS pricing for DDU destination entry. The FSS price categories will have the same prices as non-FSS prices at the same presorting and destination entry levels. FSS pricing incentives for BPM flats may be introduced later when more is known about the FSS volumes at the different sortation and destination entry levels.

*BPM Parcels:*

BPM Parcels prices are being increased by 1.680 percent overall. This slightly above-average price increase is designed to improve BPM Parcels' cost coverage, which was 108 percent in FY2012 after several years of below-100-percent cost coverage. The Postal Service is also using this price adjustment to move the DNDC workshare discount back down to a 100 percent passthrough.

*Alaska Bypass:*

Alaska Bypass consists of 70 pound parcels, plus remainder weight parcels, that were previously priced equal to the Parcel Post prices in Zones 1&2 and Zone 3. After Parcel Post was moved to the Competitive mailing services, the prices for Alaska Bypass became de-linked from the Parcel Post prices, and Alaska Bypass now stands alone as its own product. The overall increase given to Alaska Bypass is 2.440 percent.

*Media/Library Mail:*

Media/Library Mail will receive a price adjustment of 2.061 percent. The above CPI increase is intended to improve this product's cost coverage, which was 85 percent in the FY2012 ACD.<sup>21</sup> Even after these increases, Media Mail and Library Mail will still be priced below other ground parcel products, largely to recognize their educational, cultural, scientific, and informational value. (Factor 11).

*Inbound Surface Parcels:*

Inbound Surface Parcel prices were published by the UPU on September 30, 2013. As a result, actual prices for Inbound Surface Parcels were not available to the

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<sup>21</sup> FY2012 ACD, *supranote* 16, at 129-130.

Postal Service at the time this Notice was initially filed on September 26th, and estimated placeholders were used instead. The actual prices subsequently published by the UPU resulted in an overall price decrease of -1.597 percent. The initial filing used an estimated placeholder increase of 2.152 percent. Incorporating the actual UPU price changes into the filing resulted in lowering the overall increase for Package Services from 1.565 percent to 1.453 percent. Substituting the actual prices for the placeholder prices results in changes in Table 3, Table 4, and Table 10 of the original Notice, and revised pages reflecting the changes in those Tables are being provided. These changes are documented in the revised version of CAPCALC-PSVC=R2013-10.xls, provided in the revised version of USPS-R2013-10/4, filed October 18, 2013.

## **6) Special Services**

### Overview:

The Special Services class currently contains the following products: Ancillary Services, International Ancillary Services, Address Management Services, Caller Service, Credit Card Authentication, Confirm, International Business Reply Mail Service, Money Orders, Post Office Box Service, Customized Postage, and Stamp Fulfillment Services. The overall increase for the Special Services class is 2.500 percent. For most of the special services, fee increases were designed to be close to 2.509 percent, while maintaining consistency with historical rounding constraints, which simplify transactions for customers (Factor 3, Factor 6). More detail on Special Services price changes is included in USPS-LR-R2013-10/5.

Mailers who meet the Priority Mail Fulfillment threshold will receive an additional 1% rebate on the eligible mail postage paid during the Promotion Period (November 1 – December 31)	
<b>Priority Mail Fulfillment Threshold</b>	During the Fulfillment Period, the number of Priority Mail packages delivered to customers must exceed 0.5 percent of qualifying mailpieces sent during the Promotion.
<b>Priority Mail Fulfillment Period</b>	November 3 – January 15, 2015
<b>Rebate Claim Period</b>	January 16 - February 28, 2015
<b>REQUIREMENTS FOR MAILING PROMOTION</b>	
<b>Enrollment</b>	Participants and/or Mail Service Providers (MSPs) must register on the Business Customer Gateway (BCG) via the Incentive Program Service ( <a href="http://gateway.usps.com">gateway.usps.com</a> ) <i>at least 2 hours prior to presenting the first qualifying mailing</i> . Electronic documentation (eDoc) enrollment using Mail.dat, or Mail.XML enables MSPs who have registered for the promotion to enroll their clients in real-time when eDocs claiming the promotion are submitted.
<b>Mailing Date</b>	Mail must be tendered for acceptance during the promotion period, November 1 – December 31, 2014. Plant-Verified Drop Shipment (PVDS) mailings that are verified and paid for during the promotion period, and that qualify for the promotion, will be accepted at destination entry postal facilities through January 15, 2015 when presented with appropriate verification and payment documentation (PS Form 8125).
<b>Postage Payment</b>	Postage must be paid using a Permit Imprint or Precanceled Stamp permit. Some Meter Permit mailings may qualify. Every Door Direct Mail (EDDM) deposited at a Business Mail Entry Unit may qualify, but EDDM Retail mailings taken to local Post Office retail units are ineligible to participate.
<b>eDoc</b>	Mailings must be submitted electronically via Mail.dat or Mail.XML or Postal Wizard. The eDoc must identify the mail owner and mail preparer in the By/For fields by Customer Registration ID (CRID).
<b>Commingled Mail</b>	Commingled, combined, and co-mail mailings may only qualify for the promotion if all of the pieces commingled in the mailing meet program requirements, or; the mailings include multiple clients (or versions) but have separate postage statements generated for the mailpieces that meet promotion requirements
<b>Mailpiece Samples</b>	The mailer must provide a hard copy, unaddressed sample of the mailpiece that demonstrates the advertising content to the acceptance clerk. If a mailing agent submits mailings from multiple mailers,